

YTM Capital Fixed Income Alternative Fund



Strategy

Long / short hedge fund delivering Canadian investment grade credit exposure



Target

Long-term net returns of 4% - 6% with low volatility



Portfolio

Short maturity corporate bonds with neutralized interest rate risk



Uncorrelated

Compelling fixed-income alternative

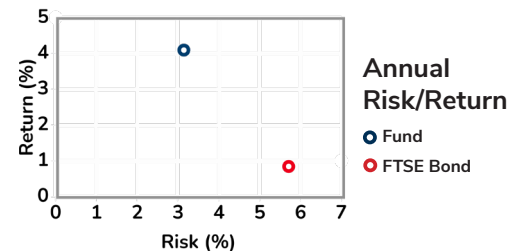
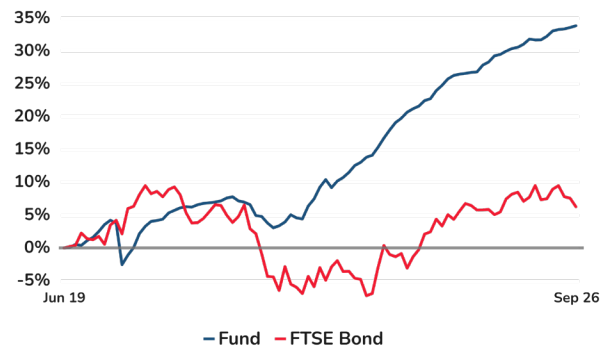
Net Performance

	1 month	1 year	3 year	5 year	S.I.
Fund	0.20%	2.98%	5.55%	4.46%	4.09%
FTSE Bond	-1.22%	-1.11%	4.65%	0.24%	0.84%

Risk

LOW	MEDIUM	HIGH
-----	--------	------

CR01 as a percent of NAV	0.032%	Months Positive	83%
Average Weighted Maturity	1.8 years	Best Month	2.13%
Modified Duration	1.17	Worst Month	-6.11%
Annualized Standard Deviation	3.2%	Maximum Drawdown	-6.52%
Sharpe Ratio	0.55	Upside Capture - FTSE Bond	39
Correlation to FTSE Bond	0.28	Downside Capture - FTSE Bond	-11



Portfolio Manager Commentary

Daniel Child CA, CPA, CFA

Edward Winiarz CFA

Spreads were constructive despite a punishing rates environment, tightening ~3.5 bps. The rate backdrop was the dominant headwind: GoC yields sold off sharply in a bear-flattening move, with the front end leading the selloff as markets repriced BoC rate hike risk. The most striking cross-segment dynamic in September was the outperformance of long-duration corporate credit tightening 8.2 bps. This particularly notable given the concurrent 15.2 bps rise in 30Y GoC yields, implying that long corporate spreads absorbed significant demand even as the underlying rate moved sharply against holders. This move is consistent with liability-driven investor demand and pension rebalancing flows as long yields approached multi-year highs.

The technical backdrop for Q4 2026 CAD IG credit is a study in competing forces. On the supply side, the pipeline entering October is described as swelling, with a record pace of 2026 issuance showing no signs of abating. YTD 2026 gross issuance already surpasses most prior full-year records, and Q4 historically sees a final burst of pre-year-end supply as issuers look to lock in funding before the holiday blackout. Demand technicals, however, remain supportive. Canadian fixed-income ETF and fund flows have been exceptionally strong, especially IG, and there also have been positive flows into high yield.

The dominant macro variable for CAD IG credit into Q4 2026 is the Bank of Canada's policy trajectory. The BoC held its overnight rate at 2.25% for a seventh consecutive meeting on September 2, but Governor Macklem's tone was markedly more alarmed than prior statements, flagging that the Middle East conflict and elevated energy prices had materially increased upside inflation risks. By September 21, Macklem delivered a speech in Halifax warning that policymakers "don't want to be late to hike," a phrase that catalyzed a further repricing of the front end. By month-end, OIS markets were pricing a full 25bp hike by December, with October odds at approximately one-in-three. The macro data presents a mixed picture: headline CPI ran at 3.0% y/y in August while core inflation (trim/median average) held at a more contained 1.95% y/y, and August employment fell a surprising 41,700 jobs with the unemployment rate steady at 6.4%. For CAD IG spreads, the net implication is a market that is well-supported by fundamentals — stable corporate balance sheets, healthy investor demand, and financials/utilities/infrastructure as anchors of stability — but increasingly vulnerable to a macro-driven rate shock.

We increased risk modestly in September on the back of supply, however, remain well below long term average levels. Running yield increased in September, as we took advantage of materially higher front-end yields to cover some of our rate hedges.



Portfolio Managers



Seasoned

More than 41 combined years of portfolio management and fixed-income experience



Accomplished

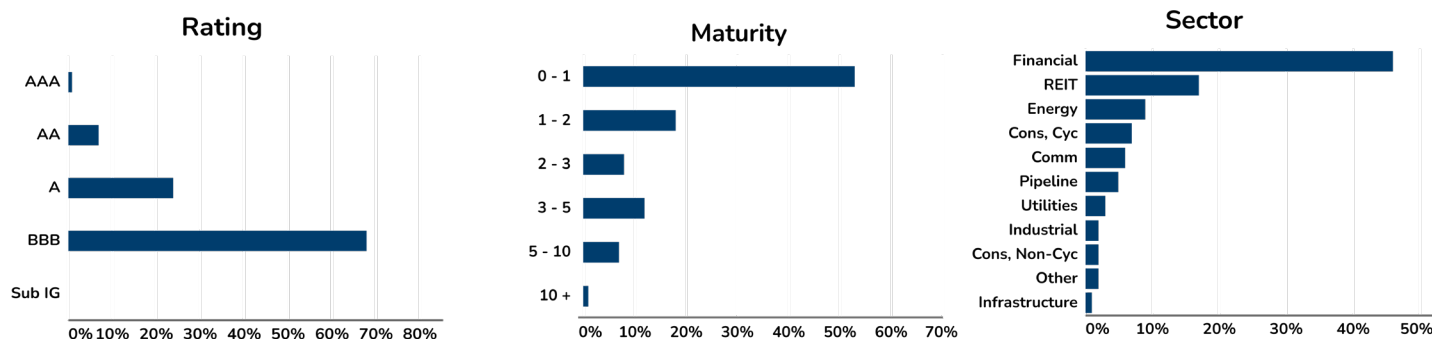
Head Corporate Trader and Director at major Canadian dealers responsible for billions of at-risk capital



Conservative

Focused on downside protection, putting capital preservation first while delivering strong risk-adjusted returns

Portfolio



Monthly Net Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2026	0.59	-0.09	0.01	0.41	0.61	0.17	0.07	0.16	0.20				2.14
2025	0.16	0.10	0.17	0.06	0.76	0.37	0.73	0.17	0.38	0.31	0.14	0.37	3.78
2024	1.06	1.02	0.50	0.76	0.44	0.32	0.71	0.23	1.00	0.72	0.72	0.42	8.18
2023	1.68	1.05	-1.10	0.91	0.49	0.71	0.94	0.41	0.70	0.26	1.08	1.20	8.63
2022	-0.35	-1.57	-0.14	-0.95	-0.70	0.30	0.50	1.06	-0.46	-0.15	1.88	1.01	0.45
2021	0.37	0.15	-0.04	0.34	0.20	0.07	0.11	0.17	0.40	0.18	-0.58	-0.18	1.19
2020	0.63	-0.41	-6.11	1.47	1.19	2.13	1.08	0.73	0.12	0.20	0.90	0.38	2.08
2019						0.06 *	0.49	-0.16	0.73	0.48	0.88	1.04	3.57

Fund Details

Transactions	Daily	Distributions	Monthly (4%/yr target; TA/TF) Quarterly (A/F/US)
Management fee	1.90% (A/TA/US) 0.90% (F/TF/US)	Fundserv	YTM401 (A) YTM402 (TA) YTM404 (A-USD) YTM405 (F) YTM406 (TF) YTM408 (F-USD)
Performance fee	15%, high watermark		
Fund Administrator	SGGG Fund Services Inc.		
Auditor	PwC LLP	Reg Pans	Yes

YTM Capital

YTM is a credit fund manager established in 2010, based in Oakville, Ontario that focuses on providing better fixed income solutions.

Kevin Foley
kevin.foley@ytmcapital.com
416 306 8328

Nicole McLachlan
nicole.mclachlan@ytmcapital.com
647 291 2092

Jay Kim
jay.kim@ytmcapital.com
647 292 3770

Gianni Markou
gianni.markou@ytmcapital.com
416 985 1444

Art Sanchez
art.sanchez@ytmcapital.com
416 471 7341

As of SEPTEMBER 30, 2026 * June 24 - 30, 2019. **FTSE Bond** = FTSE Canada Universe Bond Index. CR01 measures the impact of a 1 basis point change in credit spreads on the Fund's value. Sharpe Ratio is calculated using a 3 month GOC Treasury Bill as the risk free rate. Drawdown represents the percentage loss for the Fund from peak to trough. Market capture ratios compare the Fund's performance to the FTSE Bond index. Comparative returns are provided to demonstrate the Fund's utility as an alternative investment. Investors should consider differences between the investments generally represented by the indexes and the Fund, such as risk profiles and taxation of returns. This document is for information only and is not intended to solicit orders for the Fund. Investors should read the Simplified Prospectus (SP) and Fund Facts (FF) including the Risk Factors sections before making an investment. You can obtain the SP and FF from YTM Capital Asset Management Ltd. and at ytmcapital.com or from your investment advisor. Fund data will change and past performance may not be repeated. There is no guarantee the Fund will provide returns similar to its target. Performance is net of fees and expenses, is for Class F, distributions reinvested. Rating and maturity information exclude cash and Government of Canada securities. YTM rates unrated securities by using third party data and judgment. Maturity and CR01 are calculated using the expected maturity date for securities with call features. ytmcapital.com